Energy Efficiency
Bonneville Power Administration

Post-2006 Conservation Work Group Meeting #2 Summary

November 9, 2004: Benton County PUD, Kennewick, WA

This second Work Group meeting was attended by 30 people with approximately six additional members participating by conference call. See meeting attendee list.

Overview

Mike Weedall reminded participants that BPA is looking for the *least cost approach* to achieving BPA share of Council targets for conservation. BPA is open to recommendations the workgroup but reiterated that recommendations should be within the "box" defined by BPA at the start of the process. Also, Mike made it clear that BPA has not discarded the rate credit idea and offered to talk to anyone that is concerned about this issue. Darroll Clark, Franklin PUD presented a 'toy' bucket truck to BPA in the spirit of dispelling a rumor that the PUD had purchased a bucket truck with left-over C&RD credits. The toy will reside in the C&RD Hall of Fame.

Issue Papers

John Pyrch facilitated initial discussions on the following papers that are available on the web site: *IOU Participation in BPA's Conservation Acquisition Programs, Decrement/Allocation/Net Requirements: Process for Resolution, Rate Credit Approach: Whose Money Is It?*
Key Group discussion notes follow:

- Decrement issues won't be solved by this group, but recommended alternative approaches to the decrement for conservation acquisition (that won't impede conservation) can be sent to Paul Norman's team. Acquisition benefits must flow to BPA. Opinions on this issue vary. One opinion expressed was that IOU loads should be decremented for consistency to assure the Administrator receives the conservation benefit.
- Al Ingram from BPA talked via the phone about how rate credit funding for acquisition must be handled. He explained that conservation will likely not have a large impact on rates but that a future rate credit must be handled differently than C&RD. From a rate case perspective, rate credit dollars used for conservation acquisition must be part of the 7b2 rate test (i.e., in the revenue requirements). BPA must track acquisition in order to evaluate the impact.
- Discussion ensued on ramification of mixing credit (public purpose) and acquisition dollars. Although BPA has a strong "leaning" that achieving its share of the Council's target would be an acquisition program, BPA has not made a final decision. All conservation savings should be acquired at the lowest cost possible. A future rate credit program would need to be 'tweaked' from the existing rate credit program since BPA will only purchase cost-effective conservation and benefits must flow to BPA. Stable funding over time is valuable – if we put conservation into a public benefits framework, future funding stability may be at risk. If we put conservation into a acquisition

framework and build the business case for conservation, future funding is likely to be more stable.

Sub Committee Reports

Tracking, Oversight and Evaluation Sub-committee Report presented by Dave Johnson from Clallam County PUD. A power point presentation was followed by group discussion. Key points made during the discussion include:

- Free-rider issues should be addressed in program design.
- The 3rd party auditor's function (currently used in C&RD) has value to utility and BPA.
- Utilities want the flexibility to report packages of measures for large commercial accounts.
- Sub-metering to show achievement on large projects has value.

Program Design Subcommittee Preliminary Recommendations presented by Keith Lockhart, from Springfield Utility Board. A power point presentation was followed by group discussion. Key points made during the discussion include:

- Conservation resource should be valued for actual measure life.
- Phase II of this work group will identify which measures should be acquired by different program mechanisms.
- The ability to package non-cost effective measures with cost-effective measures is important - a package of measures might include windows, weatherization and HVAC where the incentive for the windows is used as a door opener to get customers to install the more cost-effective measures.
- Consistency in savings and incentive levels between programs is important.
- Future discussion will occur between Oliver and Weedall to determine how customer side and supply side renewables will be handled.
- Transition issues: large C/I projects may not be completed by end of current rate period; need plan to influence large new construction occurring in 07-08; need bridge for projects with potential in late 05; suggestion that utilities keep working at a steady pace with kWh identified in late 05 eligible for payment in future programs.
- Program designs need to be flexible and user friendly.

Funding Mechanisms and Levels Subcommittee report presented by Dan Villalobos from Inland Power and Light. A power point presentation was followed by group discussion. Key points made during the discussion include:

- The rate credit program should be fine tuned, but it should not be the exclusive source of funding for conservation – some sort of bi-lateral contracts will also be needed.
- The subcommittee does not feel they can finalize a recommendation on funding levels for each program mechanism until measure list with values is available.
- Appropriate levels of funding are needed for marketing and so incentive levels are high enough to discourage free riders. Ken Keating cautioned being over-concerned for free riders. Free riders are best minimized by good program design.

- Flexibility to allow rate credit purchase of direct application renewables is desired by some utilities. Other utilities suggested that there should be an incentive for metered production of small grid tied PV where benefits flow to BPA. Mike Weedall will be meeting with Steve Oliver to discuss how small scall renewables will be handled in the future.
- John Pyrch provided calculations to show how many aMW could be acquired with an assumed $80 million budget at different cost effectiveness levels.

Achievable MW at Various Cost Effectiveness Levels

Cost Effectiveness	aMW
$1.3 M / aMW	61.5 aMW
$1.4 M / a MW	57 aMW
$1.5 M / aMW	53 aMW

Small Utility Option Sub Committee Report presented by John Friederichs from Ferry County PUD. Refer to Subcommittee #2 Issue Paper. Key points made during the discussion include:

- Small utilities have limited staff, some have no staff assigned to do the conservation work.
- BPA and the Workgroup need to find a way for utilities to report all conservation accomplishments to BPA.

Creative Strategies Sub-Committee Report presented by Carol Brown from PGE. Refer to recommendations paper. Key points made during the discussion include:

- Revolving loans for residential or mult-sector use could be created by utilities or pools of utilities using program dollars as seed money.
- Ideas from the Creative Strategy subcommittee need to be incorporated into other subcommittee recommendations to determine cost effectiveness.
- BPA should consider setting aside money for regional marketing.

Overview of Council's Cost Effectiveness Calculations

Tom Echman provided a brief overview of how the Council determines measure cost effectiveness. He also explained three ways a utility can estimate their MW conservation target:

1. Utility MW load/18,000 aMW (over 5 years)
2. Utility sectoral MW load/Council's plan sectoral load (see Appendix D of the Northwest Power and Conservation Council's 5th Power Plan)
3. Assume half the utility's load growth is equal to the utility's MW target

Cost Effectiveness of Accomplishments to Date

John Pyrch provided an overview of the costs and savings from the C&RD program since 1991 as shown in the following table.

C&RD Program Accomplishments and Expenditures

	aMW Saved	Credits Claimed $ Million	$/aMW
FY01	**4.3**	**$9.2**	
FY02	**16.4**	**46.0**	
FY03	**16.7**	**49.8**	
FY04*	**12.0**	**35.0**	
	49.4	**$140**	**2.83**

***projected**

Issues to be Addressed

- Be sure the Workgroup and BPA are looking at how to get conservation less expensively for everyone.
- Figure out a way utilities can report all MW acquisition (both cost effective and non-cost effective MW).
- Determine feasibility and method for utilities to report their conservation accomplishments and how these reports can be made publicly available.

Assumptions Moving Forward

Because uncertainty on a few key issues is stifling progress on the program design, John Pyrch provided a list of assumptions the Work Group should consider as they continue working on the Post 2006 program design.

- The decrement (net requirements/allocation) issue is resolved such that there is no disincentive for conservation.
- BPA pays only for cost effective measures (as defined by the Power Planing Council's in their 5th Power Plan) or cost effective packages of measures as recommended by the RTF (under consideration).
- The list of cost effective measures is robust (such that each customer can participate in conservation acquisition activities).
- The $80M BPA budget will purchase more conservation than during the current rate period assuming that the $6M spent on renewables is available for conservation and that BPA only pays for cost effective measures.
- $80M must cover market transformation, acquisition, administration, regional activities, marketing and low-income weatherization.
- The program horizon 5 years (FYs 2007-11).
- The next rate credit period 3 years (FYs 2007-09).
- The RTF will continue.

Next Steps

- The next full Workgroup meeting will be held December 2, 2004 at BPA Headquarters in Portland, Oregon.